



October 11, 2012

To Whom It May Concern:

SUBJECT: BASEL III

Our Bank is a \$1.1 Billion dollar bank located in Missouri with 25 locations most in small communities. We have Trust Preferred Securities and if you proceed with Basel III as written you will probably put us on a list to be sold. Basel III requires that we write down our Trust Preferred over the next 10 years when in fact we still have over 20 years on the debenture before maturity. We can pay down our Trust Preferred through earnings, but we must be allowed to do this over the life of the debenture. Eliminating Trust Preferred takes Capital out of our Bank and therefore we will not be able to loan money and serve our Communities.

In addition the ruling on Mark to Market on our Securities Portfolio will also negatively affect Profits and Capital when interest rates go up. Most all Banks labeled their Securities Portfolio to "available for sale" when in fact most of these securities are held to maturity. When we hold these Securities till maturity then the movement in the market is MUTE, but if we are forced to write down the Securities to market then we will have losses and Capital will be reduced.

Capital is King and coming off of the worst economic problems this Country has seen since the Great Depression it is unconscionable that the Regulators would consider putting Capital at risk. Both of these rulings will have a tremendous impact on Capital and I hope you will reconsider the impact this will have on Community Banks and the Communities we serve. Community Banks cannot survive under Basel III.

Thank You

A handwritten signature in blue ink, appearing to read "James E. Smith".

James E. Smith
Chairman Emeritus
Hawthorn Bank